

## DISCUSSION PIECE

### Group MFL Entries: Achieving Economies of Scale from Small Landholdings

#### Issue

When landholding size is small, it is difficult for landowners to efficiently complete forestry practices, if at all. For MFL participants, this can be particularly challenging. If a practice is mandatory, landowners attempt to sell, and then negotiate with the DNR. In general, landowner with small parcels face higher burdens and costs than do those owning larger ones.

Loggers and forester can be an equally frustrated. Small landholdings require much the same effort as larger ones, but the costs are higher per acre. E.g., a logger has the same equipment transportation costs for a sale, regardless of its size, but equipment must move more frequently to new sales. Administratively, DNR may face a similar challenge: new data suggest that compliance issues may be higher on smaller landholdings.

#### Possible Solution

Allow and encourage the MFL to facilitate the aggregation of small landholdings toward increasing economies of scale. E.g., mandatory practices on neighboring or nearby could be done together. This could be done under the concept of “forestry enterprise zones” or as a separate provision. The enterprise zone concept might allow financial incentives to foster participation.

#### Necessary Changes

Allow for “group MFL entries” over a fixed area, at least on a pilot basis. Two thoughts:

*Simple:* Allow existing and/or new plans to be linked as part of a group. In exchange for group membership, incentives could be greater flexibility in timing and management. To be viable, “group manager” would be needed who meet certain requirements (e.g., CPW, Co-op forester) and serve key roles (e.g., information sharing, reporting requirements).

*Complex:* Allow new group enrollments that commit all members to a management agreement similar to that for large MFL ownerships (i.e., > 1,000 ac). A group would have to demonstrate management capacity and deliver achievable, verifiable goals consistent with MFL expectation. The carrot is greater flexibility.

#### Pros

- Creates economies of scale
- Increases management flexibility
- Increases available timber supply data for all market actors
- Potential dividend to coordinate other activities (e.g., recreational trails, etc.)

#### Cons

- Trading individual issues for fewer, but more complex social ones?
- There would be less oversight, but perhaps no less than currently applied to large landowners.
- Incentives are intuitive, but are they enough?

#### Questions

- What is the appropriate scale?
- Can the DNR maintain sufficient oversight to maintain
- Should open and closed land be addressed (e.g., minimum acreages)?
- How to deal with withdrawals?